

# Internal audit summary report



Audit and Governance  
Committee

April 2010

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# 1. Plan outturn

## 2009/10 Audit Plan

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in June 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now commenced a number of reviews with reports having been issued for some of those reviews in either draft or final format. In summary we have delivered 268 days out of the planned 285 days (94%).

As previously stated, our aim was to complete the internal audit plan in full before the end of the financial year in order that the annual internal audit report can be produced in time to inform the Annual Governance Statement (AGS), however, it should be noted that due to the additional work that was requested at such a late point during the year, some reviews have not been fully completed by the year end. All fieldwork has been completed on core financial systems and all other fieldwork will be completed shortly. We will produce our draft annual report shortly and following discussions with management, we intend to circulate the report in order that we can present the final version at the June meeting.

## 2. Reporting and activity progress

### Final reports issued

- **Health and Safety** – An opinion of **MODERATE ASSURANCE** has been issued for Health and Safety arrangements at the Council. Significant efforts have been made to rectify the issues noted in prior year around corporate Health and Safety policies and monitoring arrangements. However, work is still required to ensure effective reporting arrangements are put in place for Health and Safety and ensuring consistency of policies and procedures held at City Works.
- **IT Security** - We reviewed the level of ICT security in place at the Council. We noted that improvements are required around the use of USB keys and that future comfort should be sought from the County Council over their IT security policies. That said, policies and procedures around IT security are well defined and embedded in the Council. An opinion of **MODERATE ASSURANCE** has been issued for this area.
- **City Works** – We performed a review of the controls in place around the purchase order system (Fleetplan) and Trade Waste processes at City Works. We can provide **LIMITED ASSURANCE** for both of these areas. Significant issues were noted around the use of Fleetplan as a purchase order system and the design of controls to ensure completeness of orders raised by the Council. A number of issues were raised with the Trade Waste function around retention of key documents used for setting up Waste contracts and the processes in place for billing and recovering income. We acknowledge that the Council has put an action plan in place to address the issues raised in this report.
- **Fixed Assets** – The report for Fixed Assets had not been finalised at the time of producing this report. Our final opinion will be discussed during this meeting.
- **Year End City Works Stock Counts** – We supervised the performance of the year end stock counts at City Works. We can validate that all stock was counted and a small difference was noted during the count. Issues were noted around the process for recording and issuing stock in the 'Sign Shop' Recommendations have been made to management in these areas. No opinion has been issued for this work.

### Draft reports

The following reports are currently in draft format and have been communicated to management:

- **VAT**
- **Business Continuity Planning**
- **Budgetary Control**
- **Creditors**

# Appendix One – Outturn statement

Our schedule of work has been based upon the revised audit plan that has been presented to you in this meeting.

Planned activity	Planned days	Actual days	Status
<b>1. Fundamental assurance</b>			
OP1.1 General Ledger/ Fin. Accounting		5	Final Report
General Ledger follow up		7	Report issued to Project Board
OP1.2 Debtors		10	Final Report
Debtors follow up		0	To be rolled forward to 10/11
OP1.3 Creditor payments		9	Draft Report
OP1.4 Payroll		10	Final Report
OP1.5 Budgetary Cont./ Fin. accounting		9	Draft Report
OP1.6 Council Tax	140 days in total	5	Final Report
OP1.7 National Non Domestic Rates		5	Final Report
OP1.8 Bank Reconciliations		-	Within Treasury Management
OP1.9 Cashiers		5	Work performed on outgoing system
OP1.10 Treasury Management		5	Final Report
OP1.11 Housing Benefits		10	Final Report
OP1.12 Fixed Assets		10	Final Report
OP1.13 VAT		4	Draft Report
OP1.14 Car Parking		5	Final Report
OP 1.15 Housing Rents		10	Final Report
OP 1.16 Risk Management		3	Fieldwork ongoing
OP 1.17 Governance		5	Final Report
City Works		10	Final Report

Planned activity	Planned days	Actual days	Status
<b>2. Operational system reviews – risk based assurance</b>			
OP 2.2 Leisure Centre Contract	10	10	Final Report
OP 2.3 Health and Safety	5	5	Final Report
OP 2.4 ICT Audits	20	20	Fieldwork ongoing
OP 2.6 Sustainability	15	13	Fieldwork ongoing
OP 2.8 Procurement	5	5	Final Report
OP 2.10 Business Continuity Planning	5	5	Draft Report
OP 2.11 Anti Fraud and Corruption	5	5	Final Report

Planned activity	Planned days	Actual days	Status
<b>3. Strategic Reviews</b>			
OP 3.2 Performance Management	25	25	Final Report

Planned activity	Planned days	Actual days	Status
<b>4. Other</b>			
OP 4.1 General follow up	10	10	Completed
OP 4.2 Audit Management	45	43	Ongoing
<b>Total</b>	<b>285</b>	<b>268</b>	

# Appendix Two – Summary of recommendations





Below is a table summarising the recommendations made in our finalised reports.

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
Treasury Management	0	0	5	1	6	Moderate
Anti Fraud and Corruption	0	0	2	5	7	High
General Ledger	0	5	7	3	15	Limited
Procurement	0	0	3	2	5	Moderate
Collection Fund	0	2	9	0	11	Moderate
Car Parking	0	0	2	3	5	Moderate
Debtors	0	4	11	4	19	Limited
Leisure Contract	0	0	2	1	3	Moderate
Housing Rents	0	0	3	2	5	High
Performance Measurement	0	2	6	4	12	Moderate
Housing Benefits	0	0	0	3	3	High
Health and Safety	0	0	4	2	6	Moderate
City Works	0	7	17	6	30	Limited
ICT Security	0	0	10	5	15	Moderate
Fixed Assets	TBC					
Trial Close Down	n/a					
Stock Counts	n/a					
Governance	n/a					
<b>TOTAL</b>	0	20	81	41	<b>142</b>	

# Appendix Three – Assessment criteria

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>authority's objectives</b> in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.



**Overall opinion rating:**

Level of assurance	Description
<b>High</b>	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
<b>Moderate</b>	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
<b>Limited</b>	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
<b>No</b>	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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